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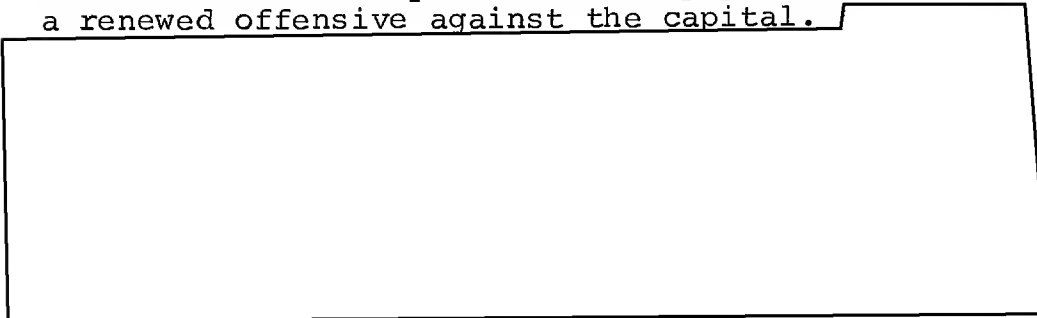
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[South Vietnam: Several sharp fire fights have been reported in the past few days immediately north of Saigon.

Despite heavy losses suffered by the Communists and some possible disruption of their timetables, these skirmishes may reflect enemy preparations for a renewed offensive against the capital.



[redacted] Communist plans in the upcoming phase call for a force of up to three regiments to occupy temporarily a suburb just north of the city as a possible springboard for raids on the first and second precincts, which contain the principal government buildings and foreign embassies. The concentration on civilian areas is designed to give the enemy maximum propaganda impact, possible immunity from air and artillery counterfire, and opportunities to strike at government officials.

[redacted] the offensive would involve rocket attacks [redacted] these would be directed at "special" targets in the precincts and not at terrorizing the populace.



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Vice President Ky sought in a nationwide television address last night to dispel rumors of coup plotting and disunity in top government circles.]

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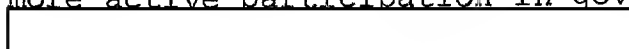
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[Attributing such allegations to Communist propaganda, he declared that a coup "at this time" would be like "giving up without a fight to the Communists."

Ky's appearance was his first in public after nearly ten days of hibernating outside Saigon, but it is too early to tell if it marks a return to a more active participation in government affairs.



(Map)]

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Israel: Prime Minister Eshkol's proposal to name a new deputy prime minister has strained the unity of the Israel Labor Party and the governing coalition it dominates.

The designation of Minister of Labor Yigal Allon is a move to thwart any attempt by Defense Minister Moshe Dayan to win control of the party and government. Dayan and his followers in the party on 14 June boycotted the special meeting of the party leadership bureau at which the proposal was approved. Dayan's group is crying foul and has said it will boycott all party meetings until the proposal is submitted to the larger secretariat.

Despite his pique, Dayan seems unlikely to withdraw from the party, although he might threaten to resign from the cabinet. The defense minister has shown every indication of appreciating that his ambition to lead the country probably can be achieved only through securing control of the Israel Labor Party, the locus of political power.

Eshkol's move may signal his preference for Allon as his successor to party and government leadership. A more important motive, however, may be to enlist Allon and his followers in an effort to block Dayan. Eshkol probably has majority support in the party for the maneuver, but the final test is yet to come.

At least four of the five other parties in the governing coalition have been aroused by Eshkol's failure to consult them before making his move. A precarious alliance at best since its formation on the eve of the 1967 war, the coalition is virtually certain to break up at some point prior to the next parliamentary election in late 1969. Eshkol's move could provide the occasion for one or more of the parties to withdraw.

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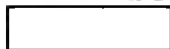
Lebanon: Israeli actions on the Lebanese border threaten to compound domestic difficulties.

Israeli shelling of a Lebanese village on 15 June, allegedly in response to gunfire coming from the village, wounded four villagers. The UN chairman of the Israeli-Lebanese Mixed Armistice Commission subsequently stated that Israel for some time has been acting in a provocative manner toward Lebanon.

President Hilu and Prime Minister Yafi fear that continued incidents will bring pressure from Lebanese Muslims for a more militant stance against Israel. They believe Israel's actions are intended to force Lebanon into signing a peace treaty and may reflect designs upon Lebanese territory. No Lebanese leader, in their opinion, could survive involvement in peace moves.

Continued border incidents could stir up strife between Lebanese Christians and Muslims by causing Muslim elements to demand support of terrorist groups operating against Israel. Ultimately, Lebanon could be forced closer to the radical Arab camp.

Until recently, the Lebanese-Israeli border area had enjoyed nearly 20 years of relative quiet under a tacit understanding whereby the two countries benefited from limited covert cooperation.



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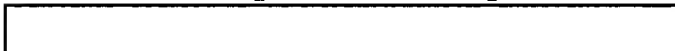
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Canada: Prime Minister Trudeau's Liberal Party has a good chance of winning a small parliamentary majority in the general election on 25 June.

The prime minister, unlike Progressive-Conservative leader Robert Stanfield, has conducted a well-organized campaign and has established a rapport with his audiences throughout most of the country. He has kept the campaign focused on foreign policy questions and on the issue of national unity and away from Canada's economic problems on which the Liberals are most vulnerable.

Trudeau's strong pro-federalist stance probably will gain the Liberals some seats in English Canada. The Liberals probably will lose ground in Quebec, however. An unexpectedly large turnout against them in that French-speaking province could, in fact, deny Trudeau a parliamentary majority.



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North Korea: Three recent encounters along the Demilitarized Zone suggest that the North Koreans have resumed the type of reconnaissance which ordinarily is a part of operations to infiltrate agents and sabotage teams into South Korea. In each instance the North Koreans avoided contact, responding only to fire from the South Korean forces. The stocks of ammunition and other supplies found after the encounters were appropriate for intelligence collection missions against the counterinfiltration barrier. Two North Koreans, one in a South Korean officer's uniform, were killed. [REDACTED]

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Senegal: The government has abruptly closed all schools until October following three days of undeclared student boycotts of Dakar lycees. The lycees had opened on 12 June for the first time since student and labor strikes forced their closing in late May. Primary schools had reopened earlier in the week without difficulty.

Although President Senghor apparently attempted to avoid the use of force in dealing with student unrest, one nonstudent demonstrator reportedly was killed Friday during a student-police scuffle. Senghor's closure of the schools probably grew out of a fear that further incidents might provoke labor leaders, with whom he recently has achieved limited accord, to support the students as they did in May when police were dispatched to break up student demonstrations. [REDACTED]

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USSR-Hungary: Party boss Kadar will head a party and government delegation on an "official friendly visit" to the USSR at the end of June. Kadar has just completed talks with Czechoslovak leaders, and his support for the Dubcek regime may be one of the prime topics of discussion, especially because of Moscow's concern over the direction Prague's new course is taking. The talks probably will touch on Hungarian-Soviet relations in the light of Hungary's economic reform, the forthcoming world Communist meeting in November, and Hungarian policy toward West Germany. [REDACTED]

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Belgium: The coalition of Social Christian and Socialist parties, formed yesterday by Gaston Eyskens, faces an unpromising future, largely because deep differences over linguistic policy persist. The powerful French-speaking wing of the Brussels Socialists has refused to participate on grounds that Flemish and Walloon representatives in the government are seeking a compromise to communal problems at the expense of bilingual Brussels. The new government has a majority in parliament, but it lacks the two-thirds vote needed to enact the constitutional reforms which would ease the tensions between Dutch- and French-speaking Belgians. [REDACTED]

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[Uruguay: The Communist-dominated National Labor Convention has called for a 24-hour strike today to protest the limited state of siege imposed last week. Although strikes are not illegal under the emergency security measures, government officials may interpret the advance publicity as incitement to strike, which is prohibited. A labor leader reportedly has said that the organizers intend the strike to be peaceful. Neither government nor labor wants trouble, but a heavy-handed government reaction probably would spark new demonstrations and riots.]

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25X6 Mexico: The government party continues to deny the opposition electoral victories in Baja California. On 13 June, the state legislature nullified municipal elections in Tijuana and Mexicali which apparently were won by the small opposition National Action Party. Moreover, National Action has been awarded only one of the seats at stake in the state legislature. Party leaders refuse to accept defeat, and have made it clear that the government's decisions will be protested, presumably by legal means. [redacted]

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